

# **Village of Quincy**

**Branch County, Michigan**

## **FINANCIAL STATEMENTS**

**For the Year Ended  
March 31, 2004**

## AUDITING PROCEDURES REPORT

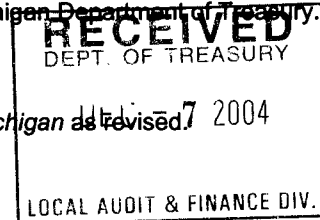
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Local Government Type [ ] City [ ] Township [x] Village [ ] Other	Local Government Name Village of Quincy	County Branch
Audit Date 3/31/04	Opinion Date 9/3/04	Date Accountant Report Submitted to State: 12/03/04

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised 7/2004.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |     |     |     |    |   |
|-----|-----|-----|----|---|
| [ ] | Yes | [x] | No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| [ ] | Yes | [x] | No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| [x] | Yes | [ ] | No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| [ ] | Yes | [x] | No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| [ ] | Yes | [x] | No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| [ ] | Yes | [x] | No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| [ ] | Yes | [x] | No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| [x] | Yes | [ ] | No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| [ ] | Yes | [x] | No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

**VILLAGE OF QUINCY, MICHIGAN**  
**For the Fiscal Year Ended March 31, 2004**

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**REHMANN ROBSON**

*Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT**

September 3, 2004

Members of the Village Council  
Village of Quincy  
Coldwater, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the **VILLAGE OF QUINCY, MICHIGAN**, as of and for the year ended March 31, 2004, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Village of Quincy, Michigan, as of March 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the general fund and each major special revenue fund, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV.D. to the basic financial statements, in 2004 the Village changed accounting policies related to the new financial reporting requirements for all state and local governments, by adopting Statements of Governmental Accounting Standards (GASB Statements) No. 34 – Basic Financial Statements – and Management's Discussion and Analysis– for State and Local Governments, No. 37 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, and No. 38 – Certain Financial Statement Note Disclosures. This results in a change to the format and content of the basic financial statements.

The Management's Discussion and Analysis on pages 3-13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collective comprise the Village's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Village of Quincy. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Rehmann Lobson*

MANAGEMENT'S DISCUSSION and ANALYSIS

## Management's Discussion and Analysis

As management of the *Village of Quincy, Michigan*, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended March 31, 2004.

### Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$4,153,899 (net assets). Of this amount, \$802,858 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total net assets increased by \$38,313 due to conservative spending in the governmental funds. Other contributing factors were the State holding the level of revenue sharing steady, where we had planned for a steep drop in funding; gains on the sale of surplus equipment; and insurance reimbursements.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$609,145, a decrease of \$353,262 in comparison with the prior year. The decrease is a result of spending down the proceeds from the 2002 Capital Improvement Bond. If the Bond is excluded, the fund balances increased by \$79,551. Approximately 96% of this total amount, or \$586,711, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$286,976, or 37 percent of total general fund expenditures.
- The Village's total installment debt decreased by \$69,738 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, public works, and highways and streets. The business-type activities of the Village include water and sewer operations.

The government-wide financial statements include not only the Village itself (known as the primary government), but also a component unit. The Downtown Development Authority is a legally separate component unit.

The government-wide financial statements can be found on pages 14-16 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.



The Village maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major streets, local streets, capital projects, and Community Development Block Grant, each of which are considered to be major funds. The Village of Quincy has no nonmajor funds.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 17-25 of this report.

**Proprietary funds.** The Village maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its sanitary sewer and water distribution operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, all of which are considered to be major funds of the Village.

The basic proprietary fund financial statements can be found on pages 26-29 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-45 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Quincy, assets exceeded liabilities by \$4,153,899 at the close of the most recent fiscal year.

*[Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.]*

**Village of Quincy's Net Assets**  
**March 31, 2004**

	Governmental activities	Business-type activities	Total
Current and other assets	\$ 796,273	\$ 705,248	\$ 1,501,521
Capital assets, net	1,634,436	3,142,355	4,776,791
Total assets	2,430,709	3,847,603	6,278,312
Long-term liabilities outstanding	756,603	1,152,105	1,908,708
Other liabilities	202,390	13,315	215,705
Total liabilities	958,993	1,165,420	2,124,413
Net assets:			
Invested in capital assets, net of related debt	1,058,878	2,000,355	3,059,233
Restricted	137,340	154,468	291,808
Unrestricted	275,498	527,360	802,858
Total net assets	\$ 1,471,716	\$ 2,682,183	\$ 4,153,899

By far the largest portion of the Village's net assets (74 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net assets (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (19 percent or \$802,858) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net assets increased by \$38,313 during the current fiscal year. 29 percent of this amount is related to one-time grants in the business-type activities with 71 percent due to one-time grants and contributions in governmental activities.

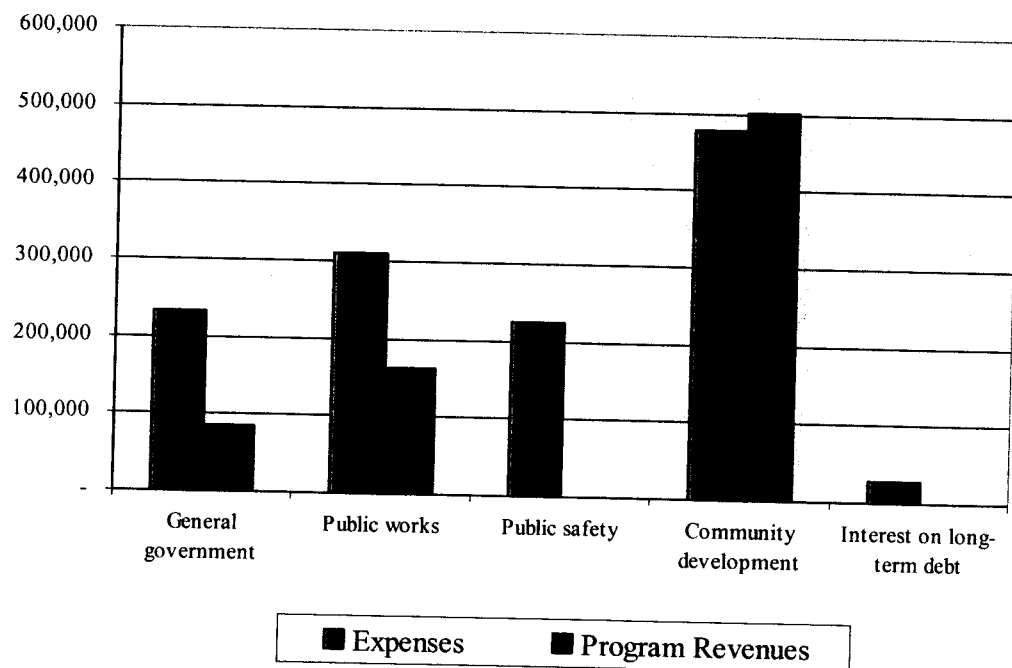
**Village of Quincy's Changes in Net Assets  
For the Year Ended March 31, 2004**

	Governmental activities	Business-type activities	Total
Revenue:			
Program revenue:			
Charges for services	\$ 41,443	\$ 477,348	\$ 518,791
Operating grants and contributions	709,677	5,834	715,511
General revenue:			
Property taxes	309,430	-	309,430
Grants and contributions not restricted to specific programs	230,108	-	230,108
Other	12,215	-	12,215
Total revenue	1,302,873	483,182	1,786,055
Expenses:			
General government	233,335	-	233,335
Public works	310,706	-	310,706
Public safety	225,432	-	225,432
Community development	477,797	-	477,797
Interest on long-term debt	28,356	-	28,356
Water	-	301,382	301,382
Sewer	-	170,734	170,734
Total expenses	1,275,626	472,116	1,747,742
Change in net assets	27,247	11,066	38,313
Net assets, beginning of year, as restated	1,444,469	2,671,117	4,115,586
Net assets, end of year	\$ 1,471,716	\$ 2,682,183	\$ 4,153,899

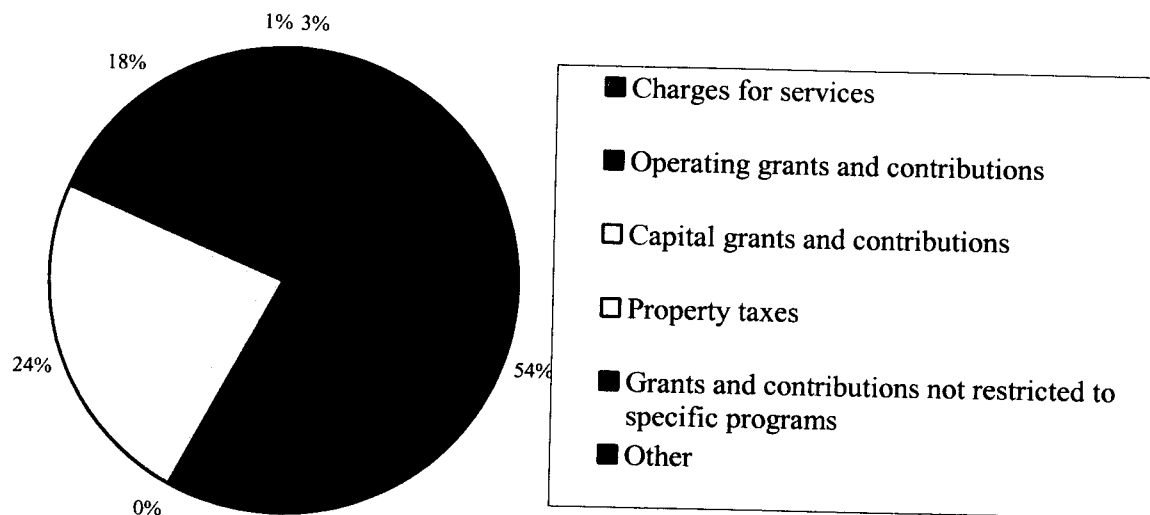
**Governmental activities.** Governmental activities increased the Village's net assets by \$27,247, accounting for 71 percent of the total growth in the net assets of the Village. Key elements of this increase are as follows:

- The Village sold acreage in its industrial park for the price of \$13,000.
- The Village was able to increase the amount of rents that it collected from use of various facilities.
- In anticipation of a drop in the economy, cost cutting measures were put into effect mid-year, which resulted in a sizable reduction to the original budget.
- The Village received the first METRO Act payments which increased the amount available in the Major and Local Street Funds.

### Expenses and Program Revenues - Governmental Activities



### Revenues by Source - Governmental Activities

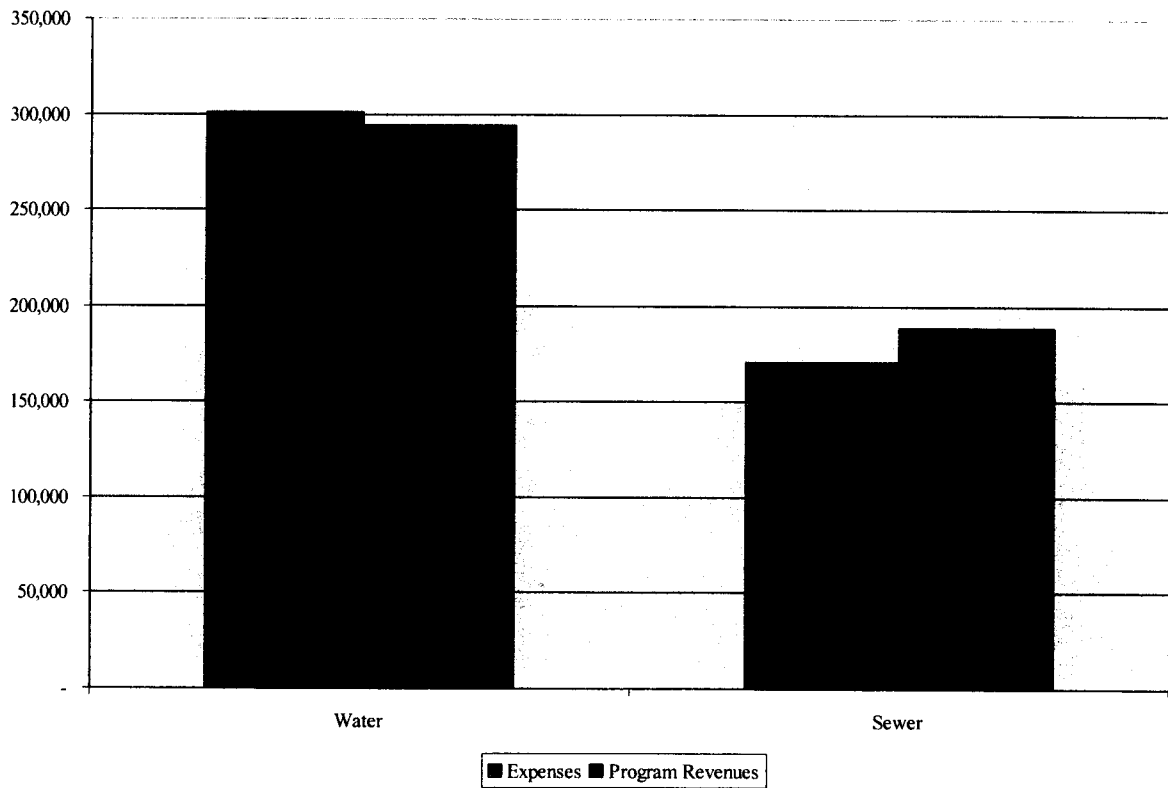


**Business-type activities.** Business-type activities increased the Village's net assets by \$11,066 accounting for 29 percent of the total growth in the government's net assets for the current year. Key elements of this increase are as follows:

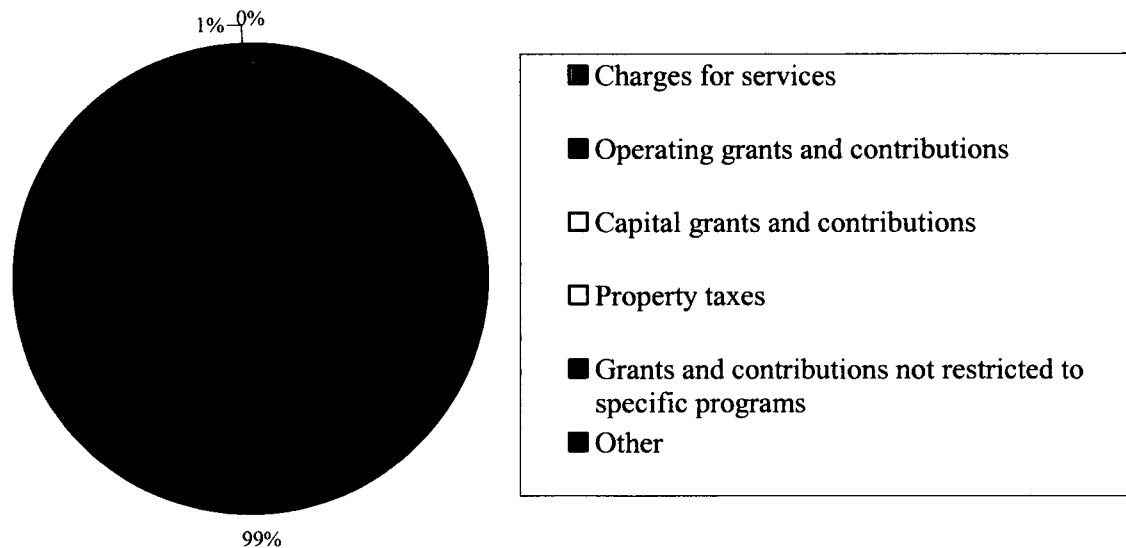
- Expenses for the sewer were reduced dramatically as more employee time was spent in the Water Department and supplies were reduced as a result.
- Expenses increased significantly for water, primarily because of design engineering for a project that is planned for the 2004-2005 fiscal year and increased maintenance costs.

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**Expenses and Program Revenues - Business-type Activities**



## Revenues by Source - Business-type Activities



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## Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$609,145, a decrease of \$353,262 in comparison with the prior year. Approximately 96 percent of this total amount (\$586,711) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for prepaids (\$22,434).

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$286,976, while total fund balance was \$309,410. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 37 percent of total general fund expenditures.

The fund balance of the Village's general fund increased by \$59,494 during the current fiscal year. Village management prudently maintained a minimal level of spending anticipating the reduction in economic growth the region is now experiencing.

The major streets fund has a total fund balance of \$128,487, an increase of \$14,504 during the year. The Village is accumulating funds in the major street fund to undertake an approximately \$450,000 project in 2004-2005.

The local streets fund had an increase in fund balance for the current year of \$5,543 for an ending total of \$8,843. Substantially all of the remaining fund balance is planned for use on several small street projects in the next fiscal year.

The Community Development Block Grant fund has a total fund balance of \$10, which is earmarked for construction activities.

The capital projects fund has a total fund balance of \$162,395, which is earmarked for finishing the construction of the new Village Hall.

***Proprietary funds.*** The Village's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer and water enterprise funds at the end of the year amounted to \$167,423 and \$359,937, respectively. The sewer fund had an increase of \$18,026 in net assets for the year, whereas the water fund had a decrease of \$6,960. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Village's business-type activities.

### **General Fund Budgetary Highlights**

The difference between the original and final amended budgets for expenditures was \$179,061. This decrease was primarily in other public works for a streets project that was not conducted in the current year. Additional adjustments were made for payments owed to the general fund from a Streetscape project and a reduction in expenses in the Legislative and Administration Departments. The reductions in budgeted expenditures were not the result of revenue decreases as actual revenues were \$178,914 higher than the original budget, but merely reflected the spending level of the current year.

### **Capital Asset and Debt Administration**

**Capital assets.** The Village's investment in capital assets for its governmental and business type activities as of March 31, 2004, amounted to \$4,776,791 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads and highways. The total increase in the Village's investment in capital assets for the current fiscal year was 4.4 percent (a 26 percent increase for governmental activities and a 4.2 percent decrease for business-type activities).

**Village of Quincy's Capital Assets**  
(net of depreciation)

	<u>Governmental</u> <u>activities</u>	<u>Business-type</u> <u>activities</u>	<u>Total</u>
Land and land improvements	\$ 1,080,155	\$ 21,851	\$ 1,102,006
Buildings and systems	40,654	60,176	100,830
Vehicles and equipment	160,985	10,668	171,653
Infrastructure	-	3,049,660	3,049,660
Construction in progress	352,642	-	352,642
<b>Total</b>	<b><u>\$ 1,634,436</u></b>	<b><u>\$ 3,142,355</u></b>	<b><u>\$ 4,776,791</u></b>

Additional information on the Village's capital assets can be found in note III.C. on pages 38-39 of this report.

**Long-term debt.** At the end of the current fiscal year, the Village had total installment debt outstanding of \$1,879,953. Of this amount, \$737,953 comprises debt backed by the full faith and credit of the government. The remainder of the Village's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**Village of Quincy's Outstanding Debt**

	<u>Governmental</u> <u>activities</u>	<u>Business-type</u> <u>activities</u>	<u>Total</u>
General obligation bonds	\$ 720,000	\$ -	\$ 720,000
Revenue bonds	-	1,142,000	1,142,000
Installment purchase contracts	17,953	-	17,953
<b>Total</b>	<b><u>\$ 737,953</u></b>	<b><u>\$ 1,142,000</u></b>	<b><u>\$ 1,879,953</u></b>

The Village's installment debt decreased by \$69,738 (4 percent) during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the Village is \$1,986,424, which is significantly in excess of the Village's outstanding general obligation debt.

Additional information on the Village's long-term debt can be found in note III.F on pages 41-42 of this report.



## **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Village's budget for the 2004-05 fiscal year:

- Projections of commercial, industrial, and residential growth potential;
- Economic indicators for the region and local development projects currently proposed and or underway;
- Projected staff and capital improvements projects by the Village;
- Available taxing, bonding and grant resources.

During the current fiscal year, unreserved fund balance in the general fund increased to \$286,976. The Village has appropriated approximately \$195,000 of this amount for spending in the 2004-05 fiscal year budget. Such appropriations are intended to finance various capital improvements, including \$160,000 for street construction on the Jefferson/South Main Street project, which will be partially offset by a \$200,000 grant applied for from the State of Michigan. Other anticipated capital expenditures include replacement of vehicles in the Department of Public Works.

## **Requests for Information**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Manager, Village of Quincy, 47 Cole Street, Quincy, MI, 49082.

## BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**Village of Quincy**  
**Statement of Net Assets**  
**March 31, 2004**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 623,279	\$ 566,175	1,189,454	\$ 48,053
Receivables, net	129,776	132,499	262,275	7,832
Internal balances	20,784	(20,784)	-	-
Prepaid items and other assets	22,434	27,358	49,792	-
Capital assets not being depreciated	899,442	21,851	921,293	-
Capital assets being depreciated, net	734,994	3,120,504	3,855,498	-
<b>Total assets</b>	<b>2,430,709</b>	<b>3,847,603</b>	<b>6,278,312</b>	<b>55,885</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	202,390	13,315	215,705	1,130
Long-term liabilities:				
Due within one year	42,305	33,000	75,305	-
Due in more than one year	714,298	1,119,105	1,833,403	-
<b>Total liabilities</b>	<b>958,993</b>	<b>1,165,420</b>	<b>2,124,413</b>	<b>1,130</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	1,058,878	2,000,355	3,059,233	-
Restricted for special purposes	137,340	154,468	291,808	-
Unrestricted	275,498	527,360	802,858	54,755
<b>Total net assets</b>	<b>\$ 1,471,716</b>	<b>\$ 2,682,183</b>	<b>\$ 4,153,899</b>	<b>\$ 54,755</b>

The accompanying notes are an integral part of these financial statements.

**Village of Quincy**  
**Statement of Activities**  
**For the Year Ended March 31, 2004**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Primary government</b>				
Governmental activities:				
General government	\$ 233,335	\$ 40,493	\$ 45,941	\$ (146,901)
Public works	310,706	950	161,417	(148,339)
Public safety	225,432	-	6	(225,426)
Community development	477,797	-	502,313	24,516
Interest on long-term debt	28,356	-	-	(28,356)
Total governmental activities	<u>1,275,626</u>	<u>41,443</u>	<u>709,677</u>	<u>(524,506)</u>
Business-type activities:				
Water	301,382	291,977	2,445	(6,960)
Sewer	170,734	185,371	3,389	18,026
Total business-type activities	<u>472,116</u>	<u>477,348</u>	<u>5,834</u>	<u>11,066</u>
 Total primary government	 <u>\$ 1,747,742</u>	 <u>\$ 518,791</u>	 <u>\$ 715,511</u>	 <u>(513,440)</u>
<b>Component unit</b>				
Downtown Development Authority	<u>\$ 19,055</u>	<u>\$ -</u>	<u>\$ 27,132</u>	<u>\$ 8,077</u>

continued...

**Village of Quincy**  
**Statement of Activities (Concluded)**  
**For the Year Ended March 31, 2004**

<b>Functions/Programs</b>	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (524,506)	\$ 11,066	\$ (513,440)	\$ 8,077
General revenues:				
Property taxes	309,430	-	309,430	-
State shared revenue	230,108	-	230,108	-
Unrestricted investment earnings	12,215	-	12,215	-
Total general revenues	551,753	-	551,753	-
Change in net assets	27,247	11,066	38,313	8,077
Net assets, beginning of year, as restated	1,444,469	2,671,117	4,115,586	46,678
Net assets, end of year	<u>\$ 1,471,716</u>	<u>\$ 2,682,183</u>	<u>\$ 4,153,899</u>	<u>\$ 54,755</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

**Village of Quincy  
Balance Sheet  
Governmental Funds  
March 31, 2004**

	<b>General</b>	<b>Major Streets</b>	<b>Local Streets</b>
<b><u>ASSETS</u></b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 274,036	\$ 103,172	\$ 6,956
Accounts receivable	23,694	-	-
Due from other governments	-	8,688	2,751
Due from other funds	21,648	16,627	-
Prepaid items	22,434	-	-
	<hr/>	<hr/>	<hr/>
<b><u>TOTAL ASSETS</u></b>	<b>\$ 341,812</b>	<b>\$ 128,487</b>	<b>\$ 9,707</b>
	<hr/>	<hr/>	<hr/>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 5,375	\$ -	\$ -
Due to other funds	27,027	-	864
	<hr/>	<hr/>	<hr/>
Total liabilities	32,402	-	864
	<hr/>	<hr/>	<hr/>
<b>Fund balances</b>			
Reserved for prepaids	22,434	-	-
Unreserved - undesignated	286,976	128,487	8,843
	<hr/>	<hr/>	<hr/>
Total fund balances	309,410	128,487	8,843
	<hr/>	<hr/>	<hr/>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 341,812</b>	<b>\$ 128,487</b>	<b>\$ 9,707</b>
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.



<b>Community Development Block Grant</b>	<b>Capital Projects</b>	<b>Total</b>
\$ 10	\$ 239,105	\$ 623,279
94,643	-	118,337
-	-	11,439
-	10,400	48,675
-	-	22,434
<u>\$ 94,653</u>	<u>\$ 249,505</u>	<u>\$ 824,164</u>
\$ 94,643	\$ 87,110	\$ 187,128
-	-	27,891
<u>94,643</u>	<u>87,110</u>	<u>215,019</u>
-	-	22,434
10	162,395	586,711
<u>10</u>	<u>162,395</u>	<u>609,145</u>
<u>\$ 94,653</u>	<u>\$ 249,505</u>	<u>\$ 824,164</u>

**Village of Quincy**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**March 31, 2004**

Fund balances - total governmental funds	\$ 609,145
--	------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	2,804,992
Deduct: accumulated depreciation	(1,170,556)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds and land contract payable	(737,953)
Deduct: accrued interest on bonds payable	(15,262)
Deduct: compensated absences	<u>(18,650)</u>

Net assets of governmental activities	<u><u>\$ 1,471,716</u></u>
---------------------------------------	----------------------------

The accompanying notes are an integral part of these financial statements.

**Village of Quincy**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended March 31, 2004**

	General	Major Streets	Local Streets
<b>Revenue</b>			
Taxes	\$ 309,430	\$ -	\$ -
Licenses and permits	2,328	-	-
Intergovernmental	402,223	90,241	26,901
Charges for services	18,242	-	-
Interest and rents	43,883	374	15
Other revenue	67,294	-	-
	<hr/>	<hr/>	<hr/>
Total revenue	843,400	90,615	26,916
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
General government	220,433	-	-
Public safety	225,432	-	-
Public works	115,000	66,111	41,373
Community and economic development	147,609	-	-
Debt service:			
Principal	36,738	-	-
Interest	28,694	-	-
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	773,906	66,111	41,373
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	69,494	24,504	(14,457)
	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>			
Transfer in	-	-	20,000
Transfer (out)	(10,000)	(10,000)	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(10,000)	(10,000)	20,000
	<hr/>	<hr/>	<hr/>
Net change in fund balances	59,494	14,504	5,543
	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	249,916	113,983	3,300
	<hr/>	<hr/>	<hr/>
<b>Fund balances, end of year</b>	<u>\$ 309,410</u>	<u>\$ 128,487</u>	<u>\$ 8,843</u>

The accompanying notes are an integral part of these financial statements.

<b>Community Development Block Grant</b>	<b>Capital Projects</b>	<b>Total</b>
\$ -	\$ -	\$ 309,430
-	-	2,328
330,198	-	849,563
-	-	18,242
-	11,744	56,016
-	-	67,294
330,198	11,744	1,302,873
-	-	220,433
-	-	225,432
-	-	222,484
330,188	-	477,797
-	-	36,738
-	-	28,694
-	444,557	444,557
330,188	444,557	1,656,135
10	(432,813)	(353,262)
-	-	20,000
-	-	(20,000)
-	-	-
10	(432,813)	(353,262)
-	595,208	962,407
\$ 10	\$ 162,395	\$ 609,145

**Village of Quincy**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended March 31, 2004**

Net change in fund balances - total governmental funds \$ (353,262)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	444,557
Deduct: depreciation expense	(104,900)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	36,738
--	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in accrued interest payable on bonds	338
Add: decrease in the accrual for compensated absences	3,776

Change in net assets of governmental activities	<u>\$ 27,247</u>
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The accompanying notes are an integral part of these financial statements.

**Village of Quincy**  
**Statement of Revenue, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended March 31, 2004**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>Revenue</b>				
Taxes:				
Property taxes - general	\$ 238,000	\$ 215,148	\$ 215,148	\$ -
Property taxes - municipal streets	90,000	94,282	94,282	-
Total taxes	328,000	309,430	309,430	-
Licenses and permits:				
Liquor licenses	1,500	-	-	-
Truck permits	-	950	950	-
Zoning permits	2,500	1,185	1,185	-
Transfer station permits	500	193	193	-
Total licenses and permits	4,500	2,328	2,328	-
Intergovernmental:				
State revenue sharing	221,036	232,051	230,108	(1,943)
Brownfield	20,000	172,115	172,115	-
Total intergovernmental	241,036	404,166	402,223	(1,943)
Charges for services:				
Property tax administration fees	3,500	3,296	3,296	-
Cablevision fees	14,500	14,852	14,852	-
Parks	200	94	94	-
Total other revenue	18,200	18,242	18,242	-
Interest and rents:				
Interest earned	8,000	475	471	(4)
Equipment rentals	40,000	43,412	43,412	-
Total interest and rentals	48,000	43,887	43,883	(4)
Other revenue:				
Reimbursements	750	1,130	1,130	-
Miscellaneous	24,000	62,289	66,164	3,875
Total other revenue	24,750	63,419	67,294	3,875
Total revenue	664,486	841,472	843,400	1,928

continued...

**Village of Quincy**  
**Statement of Revenue, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended March 31, 2004**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>Expenditures</b>				
General government:				
Legislative	\$ 48,709	\$ 44,584	\$ 25,241	\$ (19,343)
Elections	750	876	876	-
Administration	223,765	241,646	185,649	(55,997)
Other general government	7,000	8,703	8,667	(36)
Total general government	280,224	295,809	220,433	(75,376)
Public safety:				
Police	152,250	139,750	141,974	(2,224)
Fire protection	80,457	83,458	83,458	-
Total public safety	232,707	223,208	225,432	(2,224)
Public works:				
Drain	5,500	1,601	1,601	-
Street departments	126,287	132,039	130,613	1,426
Street construction	155,000	-	-	-
Streetscape project	-	(17,214)	(17,214)	-
Total public works	286,787	116,426	115,000	1,426
Community and economic development:				
Planning and zoning	4,000	-	-	-
Brownfield	-	-	147,609	(147,609)
Total community and economic development	4,000	-	147,609	(147,609)
Debt service:				
Principal	76,218	61,113	36,738	24,375
Interest	-	4,319	28,694	(24,375)
Total debt service	76,218	65,432	65,432	-
Total expenditures	879,936	700,875	773,906	(223,783)
Revenue over (under) expenditures	(215,450)	140,597	69,494	(71,103)
<b>Other financing sources</b>				
Transfers out	(10,000)	(10,000)	(10,000)	-
Net change in fund balance	(225,450)	130,597	59,494	(71,103)
Fund balance, beginning of year	249,916	249,916	249,916	-
<b>Fund balance, end of year</b>	<b>\$ 24,466</b>	<b>\$ 380,513</b>	<b>\$ 309,410</b>	<b>\$ (71,103)</b>

The accompanying notes are an integral part of these financial statements.

**Village of Quincy**  
**Statement of Revenue, Expenditures,**  
**and Changes in Fund Balance - Budget and Actual**  
**Major Streets Special Revenue Fund**  
**For the Year Ended March 31, 2004**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenue</b>				
Intergovernmental	\$ 65,000	\$ 81,553	\$ 90,241	\$ 8,688
Interest	1,000	374	374	-
<b>Total revenue</b>	<b>66,000</b>	<b>81,927</b>	<b>90,615</b>	<b>8,688</b>
<b>Expenditures</b>				
Public works	61,544	66,813	66,111	(702)
<b>Revenue over (under) expenditures</b>	<b>4,456</b>	<b>15,114</b>	<b>24,504</b>	<b>7,986</b>
<b>Other financing sources (uses)</b>				
Transfer out	(10,000)	(10,000)	(10,000)	-
<b>Net change in fund balance</b>	<b>(5,544)</b>	<b>5,114</b>	<b>14,504</b>	<b>9,390</b>
<b>Fund balance, beginning of year</b>	<b>113,983</b>	<b>113,983</b>	<b>113,983</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 108,439</b>	<b>\$ 119,097</b>	<b>\$ 128,487</b>	<b>\$ 9,390</b>

The accompanying notes are an integral part of these financial statements.



**Village of Quincy**  
**Statement of Revenue, Expenditures,**  
**and Changes in Fund Balance - Budget and Actual**  
**Local Streets Special Revenue Fund**  
**For the Year Ended March 31, 2004**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenue</b>				
Intergovernmental	\$ 23,000	\$ 24,150	\$ 26,901	\$ 2,751
Interest	200	15	15	-
<b>Total revenue</b>	<b>23,200</b>	<b>24,165</b>	<b>26,916</b>	<b>2,751</b>
<b>Expenditures</b>				
Public works	42,674	42,017	41,373	644
<b>Revenue over (under) expenditures</b>	<b>(19,474)</b>	<b>(17,852)</b>	<b>(14,457)</b>	<b>2,107</b>
<b>Other financing sources (uses)</b>				
Transfer in	20,000	20,000	20,000	-
<b>Net change in fund balance</b>	<b>526</b>	<b>2,148</b>	<b>5,543</b>	<b>3,395</b>
<b>Fund balance, beginning of year</b>	<b>3,300</b>	<b>3,300</b>	<b>3,300</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 3,826</b>	<b>\$ 5,448</b>	<b>\$ 8,843</b>	<b>\$ 3,395</b>

The accompanying notes are an integral part of these financial statements.

**Village of Quincy**  
**Statement of Revenue, Expenditures,**  
**and Changes in Fund Balance - Budget and Actual**  
**Community Development Block Grant Special Revenue Fund**  
**For the Year Ended March 31, 2004**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenue</b>				
Intergovernmental	\$ -	\$ -	\$ 330,198	\$ 330,198
<b>Expenditures</b>				
Community and economic development	-	-	330,188	330,188
Net change in fund balance	-	-	10	10
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10</b>	<b>\$ 10</b>

The accompanying notes are an integral part of these financial statements.

**Village of Quincy**  
**Statement of Net Assets**  
**Enterprise Funds**  
**March 31, 2004**

	Sewer Fund	Water Fund	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 149,127	\$ 273,122	\$ 422,249
Accounts receivable	49,612	72,345	121,957
Due from other funds	-	29,337	29,337
Inventory	13,679	13,679	27,358
Total current assets	<u>212,418</u>	<u>388,483</u>	<u>600,901</u>
Restricted assets:			
Cash and cash equivalents	83,322	60,604	143,926
Accounts receivable	5,244	5,298	10,542
Total restricted assets	<u>88,566</u>	<u>65,902</u>	<u>154,468</u>
Capital assets, net	<u>668,843</u>	<u>2,473,512</u>	<u>3,142,355</u>
Total assets	<u>969,827</u>	<u>2,927,897</u>	<u>3,897,724</u>
<b>Liabilities</b>			
Current liabilities:			
Accrued liabilities	1,930	11,385	13,315
Due to other funds	38,619	11,502	50,121
Compensated absences payable	4,446	5,659	10,105
Current portion of long-term debt	20,000	13,000	33,000
Total current liabilities	<u>64,995</u>	<u>41,546</u>	<u>106,541</u>
Long-term liabilities:			
Revenue bonds payable	<u>110,000</u>	<u>999,000</u>	<u>1,109,000</u>
Total liabilities	<u>174,995</u>	<u>1,040,546</u>	<u>1,215,541</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	538,843	1,461,512	2,000,355
Restricted	88,566	65,902	154,468
Unrestricted	<u>167,423</u>	<u>359,937</u>	<u>527,360</u>
Total net assets	<u>\$ 794,832</u>	<u>\$ 1,887,351</u>	<u>\$ 2,682,183</u>

The accompanying notes are an integral part of these financial statements.

**Village of Quincy**  
**Statement of Revenue, Expenses,**  
**and Changes in Fund Net Assets**  
**Enterprise Funds**  
**For the Year Ended March 31, 2004**

	Sewer Fund	Water Fund	Totals
<b>Operating revenue</b>			
Charges for services	\$ 185,371	\$ 291,977	\$ 477,348
<b>Operating expenses</b>			
Operations	125,223	153,766	278,989
Depreciation	35,551	101,481	137,032
Total operating expenses	160,774	255,247	416,021
Operating income	24,597	36,730	61,327
<b>Non-operating revenue (expense)</b>			
Interest revenue	3,389	2,445	5,834
Interest expense	(9,960)	(46,135)	(56,095)
Total non-operating expense	(6,571)	(43,690)	(50,261)
Change in net assets	18,026	(6,960)	11,066
Net assets, beginning of year, as restated	776,806	1,894,311	2,671,117
Net assets, end of year	\$ 794,832	\$ 1,887,351	\$ 2,682,183

The accompanying notes are an integral part of these financial statements.

**Village of Quincy**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended March 31, 2004**

	Sewer Fund	Water Fund	Totals
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 169,827	\$ 313,424	\$ 483,251
Cash payments to suppliers for goods and services	(170,707)	(97,424)	(268,131)
Cash payments to employees for services	(35,613)	(44,142)	(79,755)
Net cash provided (used) by operating activities	(36,493)	171,858	135,365
<b>Cash flows from capital and related financing activities</b>			
Principal paid on bonds	(20,000)	(13,000)	(33,000)
Interest paid on bonds	(9,960)	(46,135)	(56,095)
Net cash used by capital and related financing activities	(29,960)	(59,135)	(89,095)
<b>Cash flows from investing activities</b>			
Interest received on investments	3,389	2,445	5,834
Net increase (decrease) in cash and cash equivalents	(63,064)	115,168	52,104
Cash and cash equivalents, beginning of year	295,513	218,558	514,071
<b>Cash and cash equivalents, end of year</b>	<b>\$ 232,449</b>	<b>\$ 333,726</b>	<b>\$ 566,175</b>
<b>Balance sheet classification of cash and cash equivalents</b>			
Cash and cash equivalents	\$ 149,127	\$ 273,122	\$ 422,249
Restricted cash equivalents	83,322	60,604	143,926
	<b>\$ 232,449</b>	<b>\$ 333,726</b>	<b>\$ 566,175</b>

continued...

**Non-cash transactions**

There were no significant non-cash transactions during the year.

**Village of Quincy**  
**Combining Statement of Cash Flows**  
**Enterprise Funds (Concluded)**  
**For the Year Ended March 31, 2004**

	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income	\$ 24,597	\$ 36,730	\$ 61,327
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	35,551	101,481	137,032
Changes in assets and liabilities:			
Accounts receivable	(15,544)	(13,129)	(28,673)
Due from other funds	-	33,446	33,446
Due from component unit	-	1,130	1,130
Accrued liabilities	(605)	10	(595)
Due to other funds	(81,032)	11,502	(69,530)
Compensated absences payable	540	688	1,228
<b>Net cash provided (used) by operating activities</b>	<b>\$ (36,493)</b>	<b>\$ 171,858</b>	<b>\$ 135,365</b>

The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

# VILLAGE OF QUINCY, MICHIGAN

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### Notes to the Financial Statements

For the Year Ended March 31, 2004

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# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, *The Financial Reporting Entity*, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. The discretely presented component unit has a March 31 year end.

***Discretely Presented Component Unit.*** The Downtown Development Authority is a discretely presented component unit as required by Michigan Committee on Governmental Accounting and Auditing Statement No. 5.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

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### C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Intergovernmental revenues are accrued when earned. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

The *general fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *major streets fund* accounts for the use of motor fuel taxes which are earmarked by State statute for major street and highway purposes.

The *local streets fund* accounts for the use of motor fuel taxes which are earmarked by State statute for local street and highway purposes.

The *CDBG special revenue fund* is used to account for the operations of the Village's Community Development Block Grant.

The *capital projects fund* accounts for Village-wide improvement projects.

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

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The Village reports the following major proprietary funds:

The *sewer fund* accounts for the activities of the Village's sewer system.

The *water fund* accounts for the activities of the Village's water distribution and treatment system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **D. Assets, liabilities and equity**

#### **1. Deposits and investments**

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorizes the Village to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

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The Village's investments during the year consisted solely of bank investment pools. The bank investment pools are regulated by the Michigan Banking Act and the fair value of the position in the pool is the same as the value of the pooled shares.

### **2. *Interfund receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

### **3. *Inventories and Prepaid Items***

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **4. *Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

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Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water and Sewer Systems	30-50
Equipment	5-15
Buildings	30

### 5. *Compensated absences*

Village employees are allowed to accumulate sick days and vacation days under various formulas with specific rules regarding payment for unused days. The liability for compensated absences has been computed using the vesting method in accordance with Governmental Accounting Standards Board Statement No. 16 and is recorded in the government-wide and proprietary fund financial statements.

### 6. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### 7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

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### II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund and department. The Village Manager may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Village Council. The legal level of budgetary control is the department level. Certain supplemental budgetary appropriations were made during the year which were not considered material.

#### B. Excess of expenditures over appropriations

For the year ended March 31, 2004, expenditures exceeded appropriations in the Public Works Department of the General Fund by \$1,426.

The Local Streets Special Revenue Fund exceeded appropriations by \$644 in the Public Works Department.

The Village failed to adopt an annual budget for the CDBG Special Revenue Fund.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

A reconciliation of cash and cash equivalents as shown on the statement of net assets is as follows:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total Reporting Entity</u>
Cash and cash equivalents	<u>\$ 1,189,454</u>	<u>\$ 48,053</u>	<u>\$ 1,237,507</u>

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

Cash and cash equivalents are classified as follows for risk categorization purposes:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total Reporting Entity</u>
Bank deposits (checking accounts, savings accounts and CDs)	\$ 1,189,054	\$ 48,053	\$ 1,237,107
Cash on hand	<u>400</u>	<u>-</u>	<u>400</u>
	<u><b>\$ 1,189,454</b></u>	<u><b>\$ 48,053</b></u>	<u><b>\$ 1,237,507</b></u>

At year end, the Village's carrying amount of deposits was \$1,237,107, including \$48,053 for the Downtown Development Authority discretely presented component unit, and the combined bank balance was \$1,232,513. Of the bank balance, \$217,041 was covered by federal depository insurance. The remaining balance of \$1,015,472 was uninsured and uncollateralized.

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits government funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### B. Receivables

Receivables as of year end for the Village's individual major funds and component unit are as follows:

	<u>General</u>	<u>CDBG</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>DDA Component Unit</u>
<b>Receivables:</b>								
Accounts	\$ 23,694	\$ -	\$ -	\$ -	\$ 54,856	\$ 77,643	\$ 156,193	\$ 7,832
Grants	-	94,643	-	-	-	-	94,643	-
Intergovernmental	-	-	2,751	8,688	-	-	11,439	-
<b>Total Receivables</b>	<u><b>\$ 23,694</b></u>	<u><b>\$ 94,643</b></u>	<u><b>\$ 2,751</b></u>	<u><b>\$ 8,688</b></u>	<u><b>\$ 54,856</b></u>	<u><b>\$ 77,643</b></u>	<u><b>\$ 262,275</b></u>	<u><b>\$ 7,832</b></u>

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

### C. Capital assets

Capital assets activity for the year ended March 31, 2004 was as follows:

#### Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being				
Depreciated:				
Land	\$ 546,800	\$ -	\$ -	\$ 546,800
Construction in progress	-	352,642	-	352,642
Total capital assets not being	546,800	352,642	-	899,442
depreciated				
Capital assets being				
depreciated:				
Land improvements	1,018,025	-	-	1,018,025
Buildings	333,943	-	-	333,943
Equipment	461,667	91,915	-	553,582
Total capital assets being	1,813,635	91,915	-	1,905,550
depreciated				
Less accumulated depreciation for:				
Land improvements	416,802	67,868	-	484,670
Buildings	291,266	2,023	-	293,289
Equipment	357,588	35,009	-	392,597
Total accumulated depreciation	1,065,656	104,900	-	1,170,556
Total capital assets being	747,979	(12,985)	-	734,994
depreciated, net				
<b>Governmental activities</b>				
<b>capital assets, net</b>	<b>\$ 1,294,779</b>	<b>\$ 339,657</b>	<b>\$ -</b>	<b>\$ 1,634,436</b>
<b>Business-type activities</b>				
Capital assets not being				
depreciated – Land	\$ 21,851	\$ -	\$ -	\$ 21,851
Capital assets being				
depreciated:				
Buildings	164,416	-	-	164,416
Equipment	183,408	-	-	183,408
Infrastructure	4,307,590	-	-	4,307,590
Total capital assets being	4,655,414	-	-	4,655,414
depreciated				
Less accumulated depreciation for:				
Buildings	100,002	4,238	-	104,240
Equipment	161,986	10,754	-	172,740
Infrastructure	1,135,890	122,040	-	1,257,930
Total accumulated depreciation	1,397,878	137,032	-	1,534,910
Total capital assets being	3,257,536	(137,032)	-	3,120,504
depreciated, net				
<b>Business-type activities</b>				
<b>capital assets, net</b>	<b>\$ 3,279,387</b>	<b>\$ (137,032)</b>	<b>\$ -</b>	<b>\$ 3,142,355</b>



# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

### Governmental Activities:

General government	\$ 14,639
Public works	<u>90,261</u>

**Total depreciation expense – governmental activities** **\$ 104,900**

### Business-type Activities:

Sewer	\$ 35,551
Water	<u>101,481</u>

**Total depreciation expense – business-type activities** **\$ 137,032**

## D. Accounts Payable and Accrued Liabilities

### Payables

Payables as of year end for the Village's individual major funds and component unit in the aggregate, are as follows:

							DDA Component Unit
	General	CDBG	Capital Projects	Sewer	Water	Total	
<b>Fund Financial Statements</b>							
Accounts	\$ 5,375	\$ 94,643	\$ 87,110	\$ -	\$ -	\$187,128	\$ 1,130
Accrued liabilities	-	-	-	1,930	11,385	13,315	-
Intergovernmental	-	-	-	-	-	-	-
	<u>\$ 5,375</u>	<u>\$ 94,643</u>	<u>\$ 87,110</u>	<u>\$ 1,930</u>	<u>\$ 11,385</u>	200,443	<u>\$ 1,130</u>
<b>Government-Wide Financial Statements</b>							
Accrued interest						<u>15,262</u>	
<b>Total accounts payable and accrued liabilities</b>						<u><b>\$215,705</b></u>	

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

### E. Interfund receivables, payables and transfers

The composition of interfund balances as of March 31, 2004, is as follows:

	<u>Receivable</u>	<u>Payable</u>
<b>Due to/from other funds:</b>		
General Fund	\$ 21,648	\$ 27,027
Special Revenue Fund:		
Major Street	16,627	-
Local Street	-	864
Capital Projects Fund	10,400	-
Enterprise Fund:		
Sewer	-	38,619
Water	<u>29,337</u>	<u>11,502</u>
	<u>\$ 78,012</u>	<u>\$ 78,012</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year ended March 31, 2004, interfund transfers consisted of the following:

	<u>Local Street Fund</u>
<u>Transfers In</u>	
General Fund	\$ 10,000
Major Street Fund	<u>10,000</u>
	<u>\$ 20,000</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

### F. Long-term debt

Long-term debt at March 31, 2004, is comprised of the following:

#### Governmental activities

2002 Capital Improvement Bonds, \$750,000, maturing serially through October 2016 in annual amounts ranging from \$30,000 to \$80,000, plus interest ranging from 2.25% to 5.00%.

1999 Land Contract, \$46,800, maturing serially through October 2006 in annual amounts ranging from \$2,728 to \$7,920, plus interest at a rate of 8.25%.

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance March 31, 2004</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
2002 capital improvement bonds	\$ 750,000	\$ -	\$ 30,000	\$ 720,000	\$ 35,000
1999 land contract	24,691	-	6,738	17,953	7,305
Compensated absences	<u>22,426</u>	<u>-</u>	<u>3,776</u>	<u>18,650</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 797,117</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 40,514</u></b>	<b><u>\$ 756,603</u></b>	<b><u>\$ 42,305</u></b>

For governmental activities, compensated absences are typically liquidated by the General Fund.

The annual requirements to service governmental activities obligations, excluding compensated absences payable, as of March 31, 2004, are as follows:

#### Fiscal Year Ending March 31,

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 42,305	\$ 31,448	\$ 73,753
2006	47,920	29,900	77,820
2007	42,728	28,174	70,902
2008	45,000	26,731	71,731
2009	50,000	25,000	75,000
2010-2014	285,000	90,385	375,385
2015-2017	<u>225,000</u>	<u>17,340</u>	<u>242,340</u>
<b>Total</b>	<b><u>\$ 737,953</u></b>	<b><u>\$ 248,978</u></b>	<b><u>\$ 986,931</u></b>

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

### Business-type activities

1997 Water Supply and Sewage Disposal Revenue Bonds, \$1,091,000, maturing serially through January 2037 in annual amounts ranging from \$12,000 to \$53,000, plus interest at a rate of 4.50%.

1995 Water Supply and Sewage Disposal Revenue Bonds, \$250,000, maturing serially through January 2010 in annual amounts ranging from \$10,000 to \$25,000, plus interest ranging from 5.50% to 7.00%.

	<u>Balance</u> <u>April 1,</u> <u>2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>March 31,</u> <u>2004</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b>Business-type activities:</b>					
1997 revenue bonds	\$ 1,025,000	\$ -	\$ 13,000	\$ 1,012,000	\$ 13,000
1995 revenue bonds	150,000	-	20,000	130,000	20,000
Compensated absences	8,877	1,228	-	10,105	-
<b>Total</b>	<b><u>\$ 1,183,877</u></b>	<b><u>\$ 1,228</u></b>	<b><u>\$ 33,000</u></b>	<b><u>\$ 1,152,105</u></b>	<b><u>\$ 33,000</u></b>

The annual requirements to service Business-type activities debt obligations excluding compensated absences as of March 31, 2004, are as follows:

### Fiscal Year Ending March 31,

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 33,000	\$ 53,258	\$ 86,258
2006	34,000	51,531	85,531
2007	35,000	49,741	84,741
2008	35,000	47,888	82,888
2009	42,000	46,011	88,011
2010-2014	119,000	204,475	323,475
2015-2019	119,000	198,720	317,720
2020-2024	149,000	194,265	343,265
2025-2029	185,000	189,630	374,630
2030-2034	230,000	184,770	414,770
2035-2037	<u>161,000</u>	<u>179,685</u>	<u>340,685</u>
<b>Total</b>	<b><u>\$1,142,000</u></b>	<b><u>\$1,399,974</u></b>	<b><u>\$2,541,974</u></b>

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

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### **G. Segment information-enterprise funds**

The government issued revenue bonds to finance certain improvements to its water and sewer systems. Because the Sewer Fund and the Water Fund are each reported as major funds in the fund financial statements and account entirely for a specific segment, disclosures are not required herein.

## **IV. OTHER INFORMATION**

### **A. Risk management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2004, the Village carried insurance through various commercial carriers, including the Michigan Municipal League, to cover all risks of losses. The Village has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

### **B. Property taxes**

Village property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are measurable and available in accordance with NCGA interpretation 3 (Revenue Recognition - Property Taxes). The Village bills and collects its own property taxes. Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied the following July 1 and are payable without penalty through September 15, at which time uncollected real property taxes are turned over to the County for reimbursement from their revolving tax fund. The Village continues to collect delinquent personal property taxes.

The State taxable value of all real and personal property on which Village tax levies were based for the year ended March 31, 2004, was \$19,264,859 and the millage rates were 12.1793 mills for general operations and 4.8696 mills for municipal street.

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

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### C. Defined contribution pension plan

The Village maintains a defined contribution pension plan (the "Village of Quincy Defined Contribution Pension Plan", or the "Plan") for substantially all employees. The employees are eligible to enter the Plan starting either January 1 or July 1 following the attainment of the age of twenty-one and the performance of 1,000 hours of service. Employees are fully vested upon entrance into the Plan. The Village Council established the Plan, and may amend it, and the related contribution requirements. The Plan is administered by a third-party insurance company.

The total covered payroll under the Plan amounted to \$186,784 compared to \$248,423 of total payroll.

The Village is required to make annual contributions to the Village Employee's Pension Trust based on six percent of compensation. The Plan is non-contributory for employees.

Employer contributions made to the Plan for the year ended March 31, 2004, amounted to \$11,207.

### D. Restatements

As of and for the year ended March 31, 2004, the Village implemented the following Governmental Accounting Standards Board pronouncements:

#### Statements

- No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

# VILLAGE OF QUINCY, MICHIGAN

## Notes To Financial Statements

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The more significant of the changes required by the new standards include:

- Management's discussion and analysis;
- Basic financial statements that include:
  - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
  - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
  - Schedules to reconcile the fund financial statements to the government-wide financial statements;
  - Notes to the basic financial statements;

As a result of these corrections, and implementing the new pronouncements for the fiscal year ended March 31, 2004, the following restatements were made to beginning fund balance and net asset accounts.

The beginning net assets of the enterprise funds was derived by aggregating the previously reported retained earnings and contributed capital of those funds.

*Government-wide financial statements.* Beginning net assets for governmental activities was determined as follows:

Fund balances of general, special revenue, and capital projects funds as of 3/31/03	\$ 962,407
Add: governmental capital assets, including general fixed assets and infrastructure as of 3/31/03	2,360,435
Deduct: accumulated depreciation as of 3/31/03 on above governmental capital assets	(1,065,656)
Deduct: installment debt as of 3/31/03	(774,691)
Deduct: accrued interest payable on installment debt as of 3/31/03	(15,600)
Deduct: governmental compensated absences payable as of 3/31/03	<u>(22,426)</u>
<b>Governmental net assets, restated, as of 4/1/03</b>	<b><u>\$ 1,444,469</u></b>

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## SUPPLEMENTARY INFORMATION



**Village of Quincy**  
**Downtown Development Authority Component Unit**  
**Statement of Net Assets / Governmental Fund Balance Sheet**  
**March 31, 2004**

	Special Revenue Fund	Full Accrual Adjustments	Statement of Net Assets
<b>Assets</b>			
Cash and cash equivalents	\$ 48,053	\$ -	\$ 48,053
Receivables, net	7,832	-	7,832
Total assets	<u>\$ 55,885</u>	-	<u>55,885</u>
<b>Liabilities</b>			
Due to primary government	\$ 1,130	-	<u>1,130</u>
<b>Fund balance</b>			
Unreserved - undesignated	<u>54,755</u>	<u>(54,755)</u>	
Total liabilities and fund balance	<u>\$ 55,885</u>		
<b>Net assets</b>			
Unrestricted		<u>\$ 54,755</u>	<u>\$ 54,755</u>

**Village of Quincy**  
**Downtown Development Authority Component Unit**  
**Statement of Activities / Governmental Fund**  
**Revenue, Expenditures, and Changes in Fund Balance**  
**For the Year Ended March 31, 2004**

	Special Revenue Fund	Full Accrual Adjustments	Statement of Net Assets
<b>Revenue</b>			
Taxes	\$ 26,950	\$ -	\$ 26,950
Fines and fofeitures	182	-	182
Total revenue	27,132	-	27,132
<b>Expenditures</b>			
Community and economic development	14,735	-	14,735
Debt service:			
Interest	4,320	-	4,320
Total expenditures	19,055	-	19,055
Change in fund balance/net assets	8,077	-	8,077
Fund balance/net assets, beginning of year	46,678	-	46,678
<b>Fund balance/net assets, end of year</b>	<b>\$ 54,755</b>	<b>\$ -</b>	<b>\$ 54,755</b>